Dua Fatima - Paper 1

53/80

Accountancy and Auditing

Q2.

Income Statement for the year ended December 31, 2000

Commission earning	125,000
Less: Operating expenses	(105,000)
Net income	20,000

Where is format of I/S?

Statement of owner's equity at December 31, 2000

11/20

answers are rights but format is not followed.

Owner's equity at the beginning	
Owner's capital contribution	300,000
Add: Net Income	20,000
Subtotal	320,000
Substract	
Owner's drawings	(5,000)
Owner's equity at the end	315,000

Balance Sheet as at December 31, 2000

Assets	Rs
Non-current Assets	
Land	50,000

Building	100,000
Office furniture and fixture	80,000
Furniture and fixture	50,000
Current Assets	
Cash	12 ~~23~~0,000
Accounts Receivable	15,000
Total Assets	415,000
Liabilities	
Log-term liability-bank Loan	100,000
Owner's equity	315,000
Total liabities and equity	415,000

format of B/s is not followed.

(B)

Journal Entries

	Dr	Cr
Cash	6000,000	
Common Stock		6000,000
Cash	1,000, 000	
[redacted] capital in Share premium of par Value		1,000,000
Income Summary	2,500,000	
Retained Earnings	✓	2,500,000

Q-3

Manufacturing machine $42,300
Useful life 10 years

363,000 units of product
Salvage value = $6000

2nd year production of product = 35,000 units

Units of production depreciation formula.

machine's second year depreciation under the straight line method

$$\text{Depreciation per unit} = \frac{42,300 - 6000}{363,000}$$

you have not been asked to calculate the pernumit dep

$= 0.1$

Depreciation expense $= 0.1 \times 35,000$

$= \$3500$ Ans//

B

Gross profit margin formula

$$= \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

$$\text{Inventory Turnover} = \frac{\text{Cost of goods Sold}}{\text{Average Inventory}}$$

Current Ratio $= 2.0$

$$2.0 = \frac{CA}{100,000}$$

CA $=$ Rs. 200,000

Quick Ratio

$$= \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

$$1.4 = \frac{200,000 - x}{100,000}$$

$$200,000 - x = 1.4 \times 100,000$$

$$200,000 - 140,000 = x$$

$$60,000 = x \rightarrow \text{Inventory}$$

$$6 = \frac{CGS}{60,000}$$

$$CGS = 60,000 \times 6$$

$$CGS = 360,000$$

Gross Profit margin $= 0.20 = \frac{\text{Sales} - CGS}{\text{Sales}} \times 100$

$$0.20 = \frac{x - 360,000}{x}$$

$$0.20x = x - 360,000$$

$$360,000 = x - 0.20x$$

$$360,000 = 0.80x$$

$$\frac{360,000}{0.80} = x$$

Sales = Rs. 450,000 Ans//

10/20

1. Sales budget and schedule of expected cash collections

	1st	2nd	3rd	4th
Budgeted unit sales	16,000	15,000	14,000	15,000
Budgeted sales	352,000	330,000	308,000	330,000
Expected cash collection	264000	247500	231000	247500
		70400	66000	61600
Accounts Receivable	66,000			
Total expected cash collection	330,000	317900	297000	309100

Selling price per unit = $22 per unit
Beginning balance of AR = $66,000
Start of first quater = 32,000 units
Finished goods inventory
Ending finished goods inventory for the fourth quater = 34,000

Section - II

Q 5

A. Break - event point in units $= \frac{50,000}{\text{contribution margin per unit}}$

$= \frac{50,000}{600 - 400}$

$= \frac{50,000}{200}$

= 250 units ✓
↳ sets of clubs

B 2. Production budget for the upcoming fiscal year

	1st q	2nd q	3rd q	4th q
Beginning inventory	3200	3000	2800	3000
Total Production of units	13800	14800	14200	15400
Ending Inventory	3000	2,800	3000	3400

need to discuss this question???

16/2015

Q6 Income Statement under absorption costing

	Rs	Rs
Sales		1320,000
Production cost:		
Direct material	300,000	
Direct Labour	450,000	
Variable manufacturing costs	225,000	
Fixed manufacturing costs	180,000	
Less: Closing inventory	(231,000)	
Full production cost of Sales		(924,000)
		396,000
Non-production overheads marketing expenses		(220,000)
Profit		176,000

Where is a working which shows how they have been calculated?

Income Statement under marginal costing

	Rs	Rs
Sales		1320,000
Variable production cost:		
Direct materials	300,000	
Direct Labour	450,000	
Variable production overhead	225,000	
Less: Variable cost of closing inventory	(195,000)	
Variable production cost of sales	(780,000)	
Variable marketing expense	(120,000)	
Variable cost of Sales		(900,000)
Contribution margin		420,000

need to discuss
Varibale cost is deducted
from COGS not from below expense

Fixed costs:

	Rs	Rs
Fixed production overheads	180,000	
Fixed marketing expense	100,000	
		(280,000)
Profit		140 ~~275~~,000
		140,000

B The budget allowance

1) Budget allowance = Applied factory overhead + Idle capacity variance

= 16,234 + 1,266 = Rs 17,500 Ans

2) The actual factory overhead

Actual factory overhead = Budget allowance - Spending variance

Actual factory overhead = Rs 17,500 - Rs 879 = Rs 16,621 Ans